

Press Release

Beazley Introduces Fraudulent Instruction Insurance

New York, June 22, 2015

Beazley Group

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New York, June 22, 2015 – Specialist insurer Beazley has introduced fraudulent instruction insurance, a new coverage to address losses from the transfer of funds as a result of fraudulent instructions from a person purporting to be a vendor, client or authorized employee. The new endorsement, which has a limit of up to \$250,000, will be for Beazley clients who currently carry its commercial crime policy.

"Fraudulent instruction scams are so sophisticated that basically any business that transfers funds is vulnerable," said Bill Jennings who heads the financial fidelity / commercial crime unit for Beazley in New York. "Fraudsters rely on human error – a person not noticing that one character is wrong in an email. They rely on a subordinate's eagerness to please and be responsive to a superior. These and other factors create scenarios for lost funds that are impossible to get back, especially if they leave the United States."

Beazley's claims team cites the following actual incidents which have occurred in recent months:

- Using a slightly different email address, a fraudster impersonated a senior manager at an engineering company in the Northeast saying he needed funds wired immediately to Japan to complete a highly confidential business deal. The firm's finance director complied and wired the funds. Only later was it discovered that the wire transfer request was completely bogus.

- Again, with an imperceptibly different email address, a fraudster posed as a vendor in China who regularly provides parts to a manufacturer in the Midwest. The fraudster was able to convince the manufacturer that the vendor had changed its bank wiring instructions. The company complied and did not find out about the fraud until the vendor pressed for payment for parts that were never paid for.

According to an Internet Crime Complaint Center (IC3) June 2014 "Scam Report," the average amount lost in frauds such as the examples above is \$55,000. However, there has been one report of \$800,000 lost. The businesses victimized, according to IC3, are usually located in the United States, England and Canada. The scam involves names, telephone numbers, IP addresses and bank accounts that can be linked back to traditional Nigerian scams with the actual destination of the funds most often being institutions in China and Hong Kong. Other countries known to receive fraudulent fund transfers include South Africa, Turkey and Japan.¹

"Simply put, the Nigerian prince scam aimed at consumers is now flourishing in the business-to-business world," said Jennings. "In fact, while the funds are usually wired to China, many of these false instructions to wire funds can be traced back to Nigeria."

¹ (For more from the IC3 report, please see:
<http://www.ic3.gov/media/2014/140627.aspx>)

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Jennings concluded, "Businesses should bear in mind that traditional computer fraud insurance may not cover an incident where an employee transfers funds voluntarily even if it is the result of fraud. For that reason, we have added the fraudulent instruction endorsement and we encourage anyone at risk to add this measure of protection."

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Note to editors:

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, the US, Asia and Australia. Beazley manages five Lloyd's syndicates and, in 2014, underwrote gross premiums worldwide of \$2,021.8 million. All Lloyd's syndicates are rated A by A.M. Best.

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Beazley's underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., an A.M. Best A rated carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Beazley syndicates at Lloyd's.

Beazley is a market leader in many of its chosen lines, which include professional indemnity, property, marine, reinsurance, accident and life, and political risks and contingency business.

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